

Message Text

CONFIDENTIAL

PAGE 01 KINSHA 09862 01 OF 02 131112Z
ACTION AF-10

INFO OCT-01 ISO-00 EUR-12 IO-13 AID-05 CIAE-00 COME-00
EB-08 FRB-03 INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15
STR-07 CEA-01 PA-01 EA-10 /125 W
-----106913 131201Z /12

R 121000Z SEP 78
FM AMEMBASSY KINSHASA
TO SECSTATE WASHDC 1913
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY THE HAGUE
AMEMBASSY ROME
AMEMBASSY TOKYO

C O N F I D E N T I A L SECTION 01 OF 02 KINSHASA 9862/1

ALSO FOR USEC BRUSSELS

E.O. 11652: GDS
TAGS: CG, EFIN, EAID
SUBJECT: MEETING OF REPRESENTATIVES OF WESTERN EMBASSIES WITH
BANK OF ZAIRE PRINCIPAL DIRECTOR, ERWIN BLUMENTHAL

REF: (A) STATE 226580 (NOT SENT INFO ADDRESSEES
(B) KINSHASA 9565 (NOTAL)

1. SUMMARY: AT A MEETING OF EMBASSY REPS OF SEVERAL WESTERN
COUNTRIES IN KINSHASA SEPTEMBER 11, NEWLY- ARRIVED BANK OF
ZAIRE PRINCIPAL DIRECTOR, ERWIN BLUMENTHAL, REVIEWED HIS POWERS,
GOLAS AND PROBLEMS. HE REQUESTED THAT PRESSURE BE EXERTED ON
THE UNDP AND THE GOZ BY THE GOVERNMENTS REPRESENTED FOR THE
PROMPT PROVISION OF AN "ORDONNATEUR" AT THE ZAIRIAN MINISTRY
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 KINSHA 09862 01 OF 02 131112Z

OF FINANCE. MR. BLUMENTHAL ALSO NOTED THAT (A) HE SUPPORTS
ONLY A SLIDING DEVALUATION OF THE ZAIRE AND (B) HE BELIEVES
THE WEST MUST PROMISE SUBSTANTIAL CAPITAL INFLOWS FOR ZAIRE
AT THE FORTHCOMING OCTOBER MEETING IN BRUSSELS.

SAME GROUP IN KINSHASA WILL MEET AGAIN ON SEPTEMBER 27. END
SUMMARY

2. ON SEPTEMBER 11 THE BELGIAN CHARGE IN KINSHASA WAS HOST AT A MEETING OF WESTERN AMBASSADORS/CHARGES FOR A CONFIDENTIAL AND FRANK EXCHANGE OF VIEWS WITH THE NEWLY-ARRIVED IMP-SPONSORED PRINCIPAL DIRECTOR OF THE BANK OF ZAIRE, ERWIN BLUMENTHAL. PRESENT AT THE MEETING WERE CHARGES OF AMBASSADORS FROM THE US, FRANCE, BELGIUM, U.S., WEST GERMANY, ITALY, NETHERLANDS, CANADA AND JAPAN. ALSO ATTENDING WERE REPRESENTATIVES OF THE EEC AND THE IBRD. IT WAS AGREED THAT A SIMILAR SESSION WILL BE HELD AT 0900 ON SEPTEMBER 27.

3. MR. BLUMENTHAL OPENED HIS PRESENTATION BY SAYING THAT HE HAS BEEN GIVEN THE SAME POWERS WITHIN THE BANK, IN THE AREAS OF CREDIT, EXCHANGE CONTROLS AND FOREIGN CURRENCY PAYMENTS, AS THAT OF THE VICE GOVERNOR IN THE OTHER AREAS. IN ALL THINGS HE FEELS RESPONSIBLE SOLELY TO THE GOVERNOR OF THE BANK AND THE GOZ AND NOT TO THE IMF OR OTHER ENTITIES.

4. IN THE COMING YEAR, MR. BLUMENTHAL HOPES TO RESTORE "LAW AND ORDER" IN THE BANK, BRINGING IT BACK TO THE LEVEL OF COMPETENCE HE UNDERSTANDS IT HAD DURING PART OF THE 1960'S.

5. MR. BLUMENTHAL SEES ZAIRE'S MAJOR FINANCIAL PROBLEMS AS FALLING IN THE AREA OF PUBLIC FINANCE: DEFICIT SPENDING, DEBT RESCHEDULING, AND LACK OF BUDGETARY PLANNING AND CONTROLS. IT IS THEREFORE ESSENTIAL, IN MR. BLUMENTHAL'S VIEW, THAT THE PROMISED CONFIDENTIAL

CONFIDENTIAL

PAGE 03 KINSHA 09862 01 OF 02 131112Z

"ORDONNATEUR" BE INSTALLED IN THE FINANCE MINISTRY(WITH A TEAM OF THREE OF FOUR ASSISTANTS) IMMEDIATELY. MR. BLUMENTHAL REPEATED HIS REQUEST (REFB) THAT EACH COUNTRY PRESENT AT THE MEETING PRESS HARD ON THE UNDP AND THE GOZ TO BRING THE "ORDONNATEUR" TO ZAIRE IN THE SHORTEST POSSIBLE TIME.

6. MR. BLUMENTHAL ATTACKED A RECENT REPORT ON ZAIRE'S FINANCIAL TROUBLES WRITTEN BY AN IMF-STAFFED COMMITTEE, INCLUDING BELGIAN IMF DIRECTOR DEGROOT, WHICH RECOMMENDED PROMPT DEVALUATION OF THE ZAIRE TO APPROXIMATELY THE BLACK MARKET RATE. MR. BLUMENTHAL SAID THIS WOULD CURE NOTHING AS A NEW BLACK MARKET RATE WOULD GROW UP SHORTLY THEREAFTER. IN THE DISCUSSION THAT FOLLOWED, MR. BLUMENTHAL SAID HE HAD RELUCTANTLY REJECTED THE IDEA OF A FLOATING RATE FOR A DEVALUED ZAIRE AS REQUIRING MORE SELF-DISCIPLINE THAN THE GOZ COULD BE EXPECTED TO MUSTER AND HE HAD SIMILARLY REJECTED THE IDEA OF MULTIPLE EXCHANGE RATES FOR THE ZAIRE AS BEING BEYOND THE ABILITY OF THE GOZ TO ADMINISTER. INSTEAD, HE FEELS THERE MUST BE A SEPARATION OF THE ZAIRE FROM FIXED PARITY WITH THE SDR, FOLLOWED BY A SLOW, CONTROLLED, AND GRADUAL SLIDE DOWN IN THE LEGAL VALUE OF THE ZAIRE UNTIL IT COMES CLOSE TO THE BLACK MARKET RATE. MR. BLUMENTHAL SAID HE PLANS TO REQUEST, INDIRECTLY,

PRESIDENT MOBUTU TO MAKE AN ALLUSION TO THE NEED FOR SOME DEVALUATION OF THE ZAIRE IN A FUTURE SPEECH. THIS REFERENCE COULD THEN BE USED AS THE IDEOLOGICAL/POLITICAL RATIONALE FOR A SUBSEQUENT DOWNWARD READJUSTMENT OF THE ZAIRE.

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 KINSHA 09862 02 OF 02 131139Z
ACTION AF-10

INFO OCT-01 EUR-12 EA-10 ISO-00 IO-13 SP-02 ICA-11
AID-05 EB-08 NSC-05 TRSE-00 SS-15 STR-07 OMB-01
CEA-01 CIAE-00 COME-00 FRB-03 INR-10 NSAE-00
XMB-02 OPIC-03 LAB-04 SIL-01 PA-01 /125 W
-----107398 131201Z /41

R 121000Z SEP 78
FM AMEMBASSY KINSHASA
TO SECSTATE 1914
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY THE HAGUE
AMEMBASSY ROME
AMEMBASSY TOKYO

C O N F I D E N T I A L FINAL SECTION OF 02 KINSHASA 9862/2

ALSO FOR USEC BRUSSELS

7. MR. BLUMENTHAL CALLED UPON THE WEST, IN THE STRONGEST TERMS, TO ASSIST HIM IN HIS TASK OF HELPING BRING FINANCIAL STABILITY BACK TO ZAIRE BY PROVIDING ZAIRE, IN THE IMMEDIATE FUTURE, WITH SUBSTANTIAL PUBLIC AND PRIVATE FINANCIAL INFLOWS. SPECIFICALLY, HE HOPES THAT THE PARTICIPANTS IN THE FORTHCOMING OCTOBER MEETING IN BRUSSELS WILL RECOGNIZE THE VERY CONSIDERABLE EFFORTS ZAIRE HAS ALREADY MADE, AND IS STILL MAKING, TO REFORM ITSELF ECONOMICALLY AND POLITICALLY AND THAT THE WEST WILL, IN BRUSSELS IN OCTOBER, BE GENEROUS IN PLEDGING SIGNIFICANT ADDITIONAL ECONOMIC ASSISTANCE TO ZAIRE. HE FURTHER HOPES THAT THE WEST WILL NOT SEEK TO SET IMPOSSIBLY HIGH STANDARDS OR UNREALISTIC GOALS FOR THIS COUNTRY. U.S. CHARGE SUPPORTED BY ITALIAN AND JAPANESE, DEMURRED AT THIS POINT STRESSING NEED FOR FURTHER FOREIGN AID INPUT TO MOVE ONLY IN PARALLEL AND BE
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 KINSHA 09862 02 OF 02 131139Z

CONTINGENT UPON FURTHER GOZ PROGRESS ON ECONOMIC, POLITICAL, MILITARY AND SOCIAL REFORMS. CHARGE ALSO CALLED FOR A COMMON FRONT OF DONORS IN THIS REGARD.

8. MR. BLUMENTHAL SAID THAT PRIVATE COMMERCIAL DEBTS OWED BY THE BANK OF ZAIRE ITSELF WERE BEING PAID OFF SLOWLY AND THAT THE 1976 DEBTS, AND A FEW 1977 DEBTS, WERE IN THE CURRENT PLAN. IN RESPONSE

TO A QUESTION FROM THE DUTCH CHARGE, MR. BLUMENTHAL SAID THIS DID NOT APPLY TO PRIVATE COMMERCIAL DEBTS WHICH HAD BEEN PAID IN ZAIRES BUT FOR WHICH FOREIGN EXCHANGE ALLOCATIONS BY THE BANK OF ZAIRE WERE NOT AVAILABLE. SUCH MONIES WILL NOT BE ALLOCATED, HE ADDED, UNTIL AFTER THE OCTOBER BRUSSELS MEETING, AT THE EARLIEST. IF THE WEST IS GENEROUS AT BRUSSELS IN OCTOBER, THE BOZ MAY SUBSEQUENTLY BE ABLE TO FIND FOREIGN EXCHANGE FOR SOME OF THE FOREIGN FIRMS TO WHOM FOREIGN CURRENCY IS OWED.

9. THE MEETING CLOSED WITH AGREEMENT THAT AN OCTOBER MEETING IN BRUSSELS, AS SCHEDULED, WAS DESIRABLE AND THAT MR. BLUMENTHAL SHOULD BE INVITED TO ATTEND IN HIS OWN RIGHT. IT WAS AGREED THAT IT WAS ESSENTIAL THAT THE IMF, IBRD AND GOZ PAPER PREPARATORY TO THE MEETING BE SUPPLIED THE WESTERN POWERS AT LEAST ONE WEEK IN ADVANCE AND NOT ON OPENING DAY AS HAD BEEN THE CASE LAST JUNE. (THE BELGIANS AGREED TO DO WHAT THEY COULD ON THIS POINT.) IT WAS FURTHER AGREED, AT LEAST BY MOST, THAT THE IMMINENCE OF SUCH A MEETING

MIGHT PROD THE GOZ INTO FULFILLING MORE OF THE REFORMS SET DOWN AT BRUSSELS LAST JUNE. AT THE CLOSE, MR. BLUMENTHAL REPEATED HIS EXPECTATION THAT THE WESTERN COUNTRIES WILL BE PREPARED, AT BRUSSELS IN OCTOBER, TO OFFER CONCRETE AMOUNTS OF MONEY TO ZAIRE. (U.S. REPRESENTATIVE REPEATED A DEMURRAL.)

10. IT WAS AGREED THAT THIS GROUP WOULD MEET AGAIN IN KINSHASA AT
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 KINSHA 09862 02 OF 02 131139Z

9:00 A.M. ON SEPTEMBER 27 TO: A) DISCUSS THE RESULTS OF THE CURRENT IMF AND IBRD TEAM VISITS TO ZAIRE, B) HEAR A FURTHER REPORT FROM MR. BLUMENTHAL, AND C) COORDINATE PREPARATORY WORK FOR THE OCTOBER MEETING IN BRUSSELS.

11. ACTION REQUESTED: (A) THAT ANY INSTRUCTIONS DEPARTMENT MAY WISH PROVIDE FOR SEPTEMBER 27 MEETING REACH US BEFORE COB (KINSHASA TIME) SEPTEMBER 26 AND (B) THAT THE UNDP BE URGED, VERY PROMPTLY, TO RESPOND IMMEDIATELY TO ZAIRE'S REQUEST FOR AN "ORDONNATEUR" AT THE MINISTRY OF FINANCE.

12. COMMENT: IF ANYONE IN THE USG, OR AMONG THE WESTERN POWERS IN
GENERAL, HAS NURTURED THE IDEA THAT BLUMENTHAL WOULD BE "OUR MAN AT T
HE
BANK", BLUMENTHAL HAS BEGUN TO DISPEL THAT FEELING. WHILE HE CAN BE
EXPECTED TO WORK WITH US TOWARD OUR COMMON GOALS, HE OBVIOUSLY SEEKS
T
O
RETAIN AN INDEPENDENT STYLE AND SOME FIRMLY HELD IDEAS QUITE DIFFEREN
T
FROM OUR OWN. DEALING WITH AND THROUGH MR. BLUMENTHAL WILL BE A
CONSTRUCTIVE AND CHALLENGING EXPERIENCE. WE HAVE REQUESTED
AN APPOINTMENT TO GIVE HIM A FULL CONTEXTUAL BRIEFING
ON U.S. POSITION. (REF A)
DAVIS

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MEETINGS, BANKERS, FINANCIAL REFORMS
Control Number: n/a
Copy: SINGLE
Draft Date: 12 sep 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978KINSHA09862
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780372-0250
Format: TEL
From: KINSHASA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780977/aaaaczf.tel
Line Count: 239
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 48df5b52-c288-dd11-92da-001cc4696bcc
Office: ACTION AF
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 STATE 226580, 78 KINSHASA 9565
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 28 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1471181
Secure: OPEN
Status: NATIVE
Subject: MEETING OF REPRESENTATIVES OF WESTERN EMBASSIES WITH BANK OF ZAIRE PRINCIPAL DIRECTOR, ERWIN BLUMENTHAL
TAGS: EFIN, EAID, CG, (BLUMENTHAL, ERWIN)
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/48df5b52-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014